Quick Tax Guide 2013/14

Simplicity from complexity

Income Tax for Individuals

Tax rates and rebates

Individuals, Estates & Special Trusts [1] (Year ending 28 February 2014)		
Taxable income as exceeds	But does not exceed	Tax payable
R0	R165 600	18%
R165 600	R258 750	R29 808 + 25%
R258 750	R358 110	R53 096 + 30%
R358 110	R500 940	R82 904 + 35%
R500 940	R638 600	R132 894 + 38%
R638 600 and above		R185 205 + 40%
Other Trusts		
Tax Rate: 40%		

Note:
[1] Trusts for the benefit of ill or disabled persons and testamentary trusts established for the benefit of minor children.

Primary Rebate **Age Rebate:***	All individuals	R12 080
Secondary Rebate **Tertiary Rebate** *** Additional to primary rebate.**	65 years and older 75 years and older	R6 750 R2 250
Tax Threshold	Below age 65 Age 65 and older Age 75 and older	R67 111 R104 611 R117 111

Exemptions

Local interest:

- Individuals under 65 years of age — R 23 800 per annum
- Individuals over 65 years of age — R 34 500 per annum

Note:
Interest earned by a non-resident is exempt unless the non-resident was physically present in South Africa (SA) for more than 183 days during the 12-month period preceding the date on which the interest is received or accrued, or at any time during that period carried on business through a permanent establishment (PE) in SA (effective 1 July 2013).

Dividends

Foreign dividends are currently subject to income tax in the hands of a South African shareholder, but exempt if the shareholder holds at least 10% of the equity shares and voting rights in the foreign company declaring the dividend. Local dividends remain fully exempt. As from 1 March 2012, foreign dividends received by individuals from foreign companies are taxable at a maximum effective rate of 15%. No deductions are allowed for expenses incurred to produce foreign dividends.

Deductions and tax credits

Medical expenses:

- Over 65 years of age: Unlimited i.e. all qualifying medical expenses.
- Under 65 years of age: Monthly credit amounts set at R242 each for the taxpayer and his/her spouse (or first dependant), and a further R162 for every additional dependant. Balance of contributions exceeding four times monthly tax credit plus all qualifying out-of-pocket medical expenses exceeding 7.5% of taxable income (before medical deduction and excluding retirement lump sum benefits) as a deduction.
- Under 65 years of age and with a disability (taxpayer, spouse or child): So much of their medical aid contributions as exceeds four times the amount of the tax credit and all qualifying medical aid out-of-pocket expenses.

Note:
From 1 March 2014, additional medical deductions will be converted into tax credits.

Pension fund contributions:

- Current contributions: Limited to the greater of:
  (a) R1 750; or
  (b) 7.5% of remuneration from retirement funding employment.
- Arrear contributions: R1 800 per annum.

Retirement annuity fund (RAF) contributions:

- Current contributions: Limited to the greater of:
  (a) 15% of net income, excluding income derived from "retirement funding employment" (i.e. pensionable earnings); or
  (b) R3 500 less deductible current pension contributions; or
  (c) R1 750.
- Reinstatement contributions: R1 800 per annum.

Notes:

1. Any excess may be carried forward to the following year of assessment.
2. Provident fund contributions made by an individual are not tax deductible.
3. From 1 March 2014, restrictions will be placed on the maximum allowable contributions to retirement funds.

Donations

Donations to certain approved public benefit organisations (PBOs) are tax deductible. The tax deduction is limited to 10% of taxable income before medical expenses and donations (excluding retirement fund lump sums). These organisations include most welfare, health care, education and development, land and housing, and conservation, environmental and animal welfare organisations, with certain exceptions.

Employees' tax

Employees' tax is withheld by an employer from remuneration paid to an employee. Directors of private companies are subject to tax on their "deemed remuneration" calculated in accordance with a formula, as well as any actual remuneration paid or payable to them unless at least 75% of their remuneration in the previous tax year comprised fixed monthly payments.

Note:
All allowances paid to an employee (except subsistence allowances and travel allowances) are subject to employees' tax in full or according to a formula (e.g. residential accommodation).

Provisional tax

A provisional taxpayer is a company and any person who earns income other than remuneration or an allowance/ advance payable by the person's principal. Compulsory provisional tax payments - which are made six months after the beginning of a year of assessment, as well as at the end of it - represent tax on expected income. A "two-tier" model is applicable. For taxpayers with taxable income of less than R1 million (i.e. "tier one" taxpayers) the second provisional payment must equal the lower of the "basic amount", which is the previously assessed income for the latest tax year, escalated by 8% per annum if the period is more than one year old, or 90% of actual taxable income. For other taxpayers (i.e. "tier two" taxpayers) an estimate that is equal to at least 80% of the taxable income for the year is required for the second provisional tax payment. Additional tax will be levied if the estimate does not meet the required percentage of actual taxable income.

Travel allowances

The following table sets out the three components of the rates which may be used in determining the cost of business travel, where actual costs are not used.

Pay-As-You-Earn (PAYE) is withheld from 80% of travel allowances (20% is allowed in some circumstances).

Where the value of the vehicle (including VAT)(R)	Fixed cost (R p.a.)	Fuel cost (c/km)	Maintenance cost (c/km)
0 – 60 000	19 310	81.4	26.2
60 001 – 120 000	38 333	86.1	29.5
120 001 – 180 000	52 033	90.8	32.8
180 001 – 240 000	65 667	98.7	39.4
240 001 – 300 000	78 192	113.6	46.3
300 001 – 360 000	90 668	130.3	54.4
360 001 – 420 000	104 374	134.7	67.7
420 001 – 480 000	118 078	147.7	70.5
Exceeds 480 000	118 078	147.7	70.5

Notes:

1. If the travel allowance is applicable to a portion of the tax year, the fixed cost is reduced proportionately.
2. Where the travel allowance is based on actual distance travelled and business travel during the tax year does not exceed 8 000 kilometres, no tax is payable on an allowance paid by an employer to an employee, up to the rate of 324 cents per kilometre regardless of the value of the vehicle. This alternative is not available if other compensation in the form of an allowance or reimbursement is received from the employer in respect of the vehicle.
3. The logbook method to claim business travelling expenses is compulsory.
4. If actual costs are used, wear-and-tear must be calculated over a seven year period and cost is limited to R480 000 and interest on borrowings to acquire the car is limited to borrowings of the same amount.

Company car fringe benefit

Taxable value per month = 3.5% of determined value (e.g. cash cost incl. VAT). (If subject of a maintenance plan, 3.25%). These rates apply for all vehicles provided by an employer. The benefit will be reduced by any consideration paid by the employee (other than consideration relating to insurance, licensing, maintenance or fuel, for which there are specific deductions available). On assessment there will be a reduction in the fringe benefit for business use, where an employee can furnish accurate records of distances travelled for business purposes and total distances travelled. The employee will also be entitled to a reduction in the taxable fringe benefit where he/she has borne the full expenditure relating to maintenance, licensing, insurance or fuel in relation to the company car, and has kept accurate details thereof. 80% of the fringe benefit will be included in remuneration for PAYE purposes. This monthly fringe benefit inclusion may be further reduced where employees travel extensively on business travel.

Subsistence allowances

Subsistence allowances are tax-free if they are granted to an employee who is obliged to spend at least one night away from his usual place of residence whilst on business and if they do not exceed the following amounts:

- Varying amounts per day for meals and incidental costs for travel outside the Republic depending upon the country (ies) visited.
- R319 per day for meals and incidental costs for travel within the Republic.
- R98 per day for incidental costs only within the Republic.

Retirement Fund Lump Sum Benefits

Lump sum benefits in consequence of membership of a retirement fund, including amounts assigned in terms of divorce settlements in certain circumstances, other than lump sum benefits as above, are taxed according to the following table:

Taxable income from lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R315 000	0%
R315 000	R630 000	R0 +18%
R630 000	R945 000	R56 700 +27%
R945 000		R141 750 + 36%

Note:

Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009) or a severance benefit (after 1 March 2011).

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Taxable income from lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R22 500	0%
R22 500	R600 000	18%
R600 000	R900 000	R103 950 + 27%
R900 000		R184 950 + 36%

Note:

Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009) or a severance benefit (after 1 March 2011).

Severance Benefits

Severance benefits are lump sums received by employees from employers in respect of the relinquishment or termination of employment for the following reasons:

- Attaining the age of 55 years.
- Due to incapacity through sickness or other ailment.
- Retrenchment due to cessation of trade or general reduction in staff.

The benefit is taxable in accordance with the following table:

Taxable income from lump sum benefits as exceeds	But does not exceed	Tax payable
R0	R315 000	0%
R315 000	R630 000	R0 + 18%
R630 000	R945 000	R56 700 + 27%
R945 000		R141 750 + 36%

Note:
Taxable income is cumulative and includes all lump sum payments whether on retirement (after 1 October 2007) or withdrawal (after 1 March 2009), or a severance benefit (after 1 March 2011).

Estate Duty

Rate: 20% of the dutiable amount of a deceased estate (property of residents and SA property of non-residents).

Deductions include:

- Standard deduction: R3.5 million per estate (R7 million for a married couple).
- Certain other deductions are allowed, the most important of which is the deduction for property accruing to the surviving spouse.

Donations Tax

Rate: 20%

Exemptions include:

- R100 000 per annum (individuals).
- R10 000 per annum (private companies).
- Donations between spouses.
- Donations to approved PBOs and recreational clubs.
- Donations by public companies.
- Donations between SA resident group companies.

Capital Gains Tax (CGT)

Inclusion rates

• Individuals, special trusts and individual policyholder funds	33.3%
• Other taxpayers	66.6%

Exclusions

• Individuals (annual non-cumulative):	R30 000
• Individuals in year of death:	R300 000
• Primary residence exclusion on the disposal of a primary residence:	R2 million gain/loss
• Small business assets (when a person is over age 55) *:	R1.8 million

* Market value not exceeding R10 million.

Transfer Duty

Paid on acquisition of immovable property where the transaction is not subject to VAT. Transfer duty is also payable on the acquisition of residential property through an interest in a company, close corporation or trust.

Acquisition of property by all persons:

First R600 000 consideration	0%
R600 001 to R1 000 000	3% of the amount above R600 000
R1 000 000 to R1 500 000	R12 000 + 5% of the amount above R1 000 000
R1 500 000 and above	R37 000 + 8% of the amount above R1 500 000

Value-Added Tax (VAT)

Rates: 14% and 0%

The VAT registration threshold is R1 million of taxable supplies per annum. A vendor making taxable supplies of more than R50 000 but not more than R1 million per annum may apply for voluntary registration. Non-residents that carry on an enterprise in SA are required to register. Certain supplies are zero-rated or exempt from VAT.

Withholding Taxes (WHTs)

Dividends tax

Dividends tax (DT) replaced Secondary Tax on Companies (STC) on 1 April 2012. Tax must be withheld from dividends at a rate of 15% by local companies and foreign companies on shares listed on the Johannesburg Stock Exchange (JSE). The rate may be reduced in terms of Double Taxation Agreements (DTAs). Exemptions apply for domestic retirement funds, PBOs and domestic companies. Certain requirements have to be complied with in order for the exemption or reduced rate to apply.

Notes:

1. The tax is payable either by the company declaring the dividend or a regulated intermediary. Regulated intermediaries include: brokers, CSDPs and collective investment schemes.
2. The company paying in specie dividends will be liable for the tax.
3. Interest on loans to non-exempt shareholders at less than the official rate of interest will be subject to the tax.
4. STC credits at 1 April 2012 may be used to reduce the WHT requirement until 31 March 2015.

Other payments to non-residents

Royalties*	12%
Interest**	15%
Sportsmen and entertainers who perform in South Africa	15%
Fixed property acquired in South Africa from a seller that is a non-resident	
• If the non-resident is a natural person	5%
• If the non-resident is a company	7.5%
• If the non-resident is a trust	10%

Note:

WHT is not payable if the total amount payable for the immovable property does not exceed R2 million.

Certain of these rates may be reduced by DTAs.

* The rate will increase to 15% from 1 March 2014.

**The WHT on interest is effective from 1 March 2014. Certain exemptions apply (e.g. government bonds, listed debt and local collective investment schemes).

Securities Transfer Tax (STT)

STT is a tax levied on the transfer or cancellation of any listed and unlisted security. The STT rate is 0.25%.

Corporate Tax Rates

• Basic rate (other than entities specified below):	28%
• Companies in certain special economic zones (proposed):	15%

• Small business corporations (financial years ending on any date between 1 April 2013 and 31 March 2014):

Taxable income	Rate of tax
R0 – R67 111	0 %
R67 112 - R365 000	7%
R365 001 – R550 000	21%
R550 001 +	28%

• An elective presumptive turnover tax applies for micro-businesses. The rates (for financial years ending on any date between 1 April 2013 and 31 March 2014) are:

Turnover	Tax liability
0 - R150 000	0%
R150 000 – R300 000	1% of each R1 above R150 000
R300 000 – R500 000	R1 500+2% of the amount above R300 000
R500 000 – R750 000	R5 500+4% of the amount above R500 000
R750 000 and above	R15 500+6% of the amount above R750 000

Note:
As from 1 March 2012, qualifying micro-businesses (within the R1 million turnover limit) are able to pay turnover tax, VAT and employees' tax twice a year.

• Long-term insurers:	
- Individual policyholder fund	30%
- Company policyholder fund	28%
- Corporate fund	28%
- Untaxed policyholder fund	0%

• Gold mining companies:	
- On gold mining income	34 - (170/x)*
- On other income	28%

* Where "x" is the ratio of taxable income from gold mining to income from gold mining, expressed as a percentage.

• Foreign resident companies earning SA source income:	28%
• PBOs and recreational clubs*:	28%

*Annual trading income exemption for PBOs and recreational clubs are R200 000 and R120 000 respectively.

Skills Development Levy (SDL)

• On remuneration payable:	1%

Note:
Employers with annual payroll of less than R500 000 are exempt, as well as certain approved PBOs.

Unemployment Insurance Fund (UIF) Contributions

UIF contributions are payable monthly by employers on the basis of a contribution of 1% by employers and 1% by employees, based on employees' remuneration below a certain amount. Employers not registered for PAYE or SDL purposes must pay the contributions to the Unemployment Insurance Commissioner.

Selected Capital Allowances for Businesses

Buildings

• Industrial (manufacture or similar process):	
` - Commenced 1/7/96 – 30/9/99	10%
- After 1 January 1989	5%
- Other	2%
• New and unused commercial buildings (and improvements):	5%

Intellectual property (see Research and development)

• Costs incurred in acquiring (i.e. other than developing or creating):	
- Inventions, patents or copyrights	5%
- Designs	10%

Note:
Costs not exceeding R5 000 may be deducted in full. No deduction is available in respect of trademarks.

Research and development (R&D)

Costs incurred in any year of assessment:

• Systematic investigative or experimental activities of which the result is uncertain for discovering non-obvious scientific or technical information, or creating any invention, design, or computer program	150%
• Buildings:	5%
• New or unused machinery or plant used for R&D purposes:	40%/20%/20%/20%

Note:
The R&D must be approved by the Minister of Science and Technology in advance to qualify for the enhanced allowance of 150%. To the extent that government grants are received to fund R&D, the expenditure so incurred does not qualify for the additional 50% allowance. Certain activities are excluded.

Plant and machinery

• Manufacturing or similar process (new only):	40%/20%/20%/20%
• Industrial policy projects (additional investment allowance):	
- Preferred status	55%
- Preferred status in IDZ	100%
- Other	35%
- Other in IDZ	75%
• Renewable energy technology equipment :	50%/30%/20%
• Small businesses corporations:	
- Manufacturing assets	100%
- Other depreciable assets*	50%/30%/20%

*General depreciation regime optional.

Movable capital assets

Assets which are not subject to other capital allowances: Wear-and-tear at rates in terms of Interpretation Note: No. 47 (Issue 3) may apply. Any asset costing R7 000 or less may be written-off in the year in which it is acquired.

Older buildings, plant, aircraft & ships and R&D assets

These may be subject to allowances at different rates.

Other

- Gambling tax: A national gambling tax will apply by close of 2013. The tax will apply at a rate of 1% of gross gambling revenue in addition to provincial rates.
- Carbon tax: Effective from 1 January 2015, carbon will be priced at a rate of R120 per ton of CO_2 equivalent. A tax-free exemption threshold of 60% will apply with additional allowances for emissions intensive and trade-exposed industries. The current electricity levy will be phased-out.

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